January 7, 2021

Consolidated Financial Results for the Fiscal Year Ended November 30, 2020

(Japanese Accounting Standards)

Name of listed company: **NEXTAGE Co., Ltd.**
Stock Exchange Listings: Tokyo, Nagoya
Stock code: 3186
URL: https://www.nextage.jp/
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Scheduled date of General Shareholders' Meeting: February 22, 2021
Scheduled date to file Securities Report: February 22, 2021
Scheduled date to commence dividend payments: February 24, 2021
Supplementary explanatory materials prepared: Yes
Explanatory meeting: Yes (For securities analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 (From December 1, 2019 to November 30, 2020)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2020	241,146	10.0	6,825	12.2	6,527	10.8	4,740	11.3
November 30, 2019	219,263	34.4	6,085	38.8	5,888	40.7	4,258	46.3

Reference: Comprehensive income
For the year ended November 30, 2020: ¥4,677 million, [10.2%]
For the year ended November 30, 2019: ¥4,245 million, [47.0%]

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Ordinary profit/ Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2020	63.62	60.94	16.4	7.0	2.8
November 30, 2019	58.27	55.40	18.6	7.9	2.8

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2020	99,633	30,017	30.1	406.96
November 30, 2019	86,355	27,858	32.3	369.26

Reference: NEXTAGE shareholders' equity
As of November 30, 2020: ¥30,013 million
As of November 30, 2019: ¥27,852 million

(3) Consolidated Cash Flows

	Net cash used in operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the fiscal year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
November 30, 2020	19,269	(8,529)	5,673	27,443
November 30, 2019	(9,213)	(10,822)	14,572	11,030

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended November 30, 2019	—	0.00	—	6.00	6.00	452	10.3	1.9
Fiscal year ended November 30, 2020	—	0.00	—	7.00	7.00	527	11.0	1.8
Fiscal year ending November 30, 2021 (forecasts)	—	0.00	—	7.00	7.00		—	

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2021 (From December 1, 2020 to November 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2021	134,000	15.7	5,100	—	5,000	—	3,600	—	48.81
Fiscal year ending November 30, 2021	280,000	16.1	11,000	61.2	10,700	63.9	7,600	60.3	103.05

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

New: None

Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting policies due to revisions to accounting standards and other guidelines: None

b. Changes in accounting policies due to reasons other than a. above: None

c. Changes in accounting estimates: None

d. Restatement of revisions: None

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)

As of November 30, 2020 77,360,000 shares

As of November 30, 2019 75,428,200 shares

b. Number of shares of treasury stock at the end of the period

As of November 30, 2020 3,608,571 shares

As of November 30, 2019 271 shares

c. Average number of shares

For the year ended November 30, 2020 74,511,225 shares

For the year ended November 30, 2019 73,089,143 shares

(Note) The Company introduced a trust-type employee stock ownership incentive plan (E-Ship) in October 2020. The number of shares of treasury stock at the end of the period includes the following number of shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account, a dedicated account for E-Ship set up with a trust bank.

As of November 30, 2020 1,591,700 shares

In calculation of the average number of shares, the number of shares of treasury stock deducted from the number of common shares issued includes the following number of shares of the Company owned by the above mentioned account.
For the year ended November 30, 2020 267,658 shares

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended November 30, 2020 (From December 1, 2019 to November 30, 2020)

(1) Non-Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2020	232,876	10.5	6,530	14.5	6,461	13.1	4,659	12.6
November 30, 2019	210,822	32.6	5,702	35.4	5,711	33.6	4,136	36.3

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
November 30, 2020	62.54	59.90
November 30, 2019	56.60	53.82

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2020	95,225	29,910	31.4	405.51
November 30, 2019	81,348	27,769	34.1	368.09

Reference: NEXTAGE shareholders' equity
As of November 30, 2020: ¥29,906 million
As of November 30, 2019: ¥27,764 million

2. Non-Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2021 (From December 1, 2020 to November 30, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2021	130,000	16.3	4,800	—	3,500	—	47.46
Fiscal year ending November 30, 2021	270,000	15.9	10,400	61.0	7,500	61.0	101.69

* This report is not subject to audit by certified public accountants or audit firms.

* Proper use of financial forecasts, and other special matters
Financial forecasts and other statements about the future that are included in this material are based on information currently in the possession of the Company and certain conditions judged reasonable by the Company. Actual results may differ significantly due to various factors. For notes on the conditions for financial forecasts and the use of financial forecasts, please refer to "Analysis of Operating Results" beginning on page 2 of the attached documentation.

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1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

In fiscal 2020, the year ended November 30, 2020, the Japanese economy faced an extremely severe situation but is expected to start to recover as a result of various government policies, amid a phased increase in the level of socio-economic activities while preventative measures are being taken to prevent the spread of the novel coronavirus infection (COVID-19). However, attention must be paid to trends in COVID-19 in Japan and overseas, as well as the impact of volatility in global financial and capital markets.

In this environment, in the Japanese used car sales industry, domestic used car registrations from December 2019 through November 2020 were 6,353,304 vehicles (down 2.7% year on year). By vehicle type, used car registrations were 3,322,059 vehicles (down 1.7% year on year) for ordinary passenger cars and 3,031,245 vehicles (down 3.7% year on year) for kei-cars for the same period. (Source: statistical data from the Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association.)

In this business environment, based on the management philosophy of “Be loved by Customers,” the NEXTAGE Group has operated stores with “Lifetime value” and “Active users” in mind.

In dealership openings, the Group opened Matsuyama Chuo Store, which is the first in Ehime Prefecture, Odaka Store in Aichi Prefecture, and Shingu Store in Fukuoka Prefecture in December 2019, Oyama Store in Tochigi Prefecture and Settsu Store in Osaka Prefecture in April 2020, Sapporo Utsukushigaoka Store in Hokkaido and Takaoka Store in Toyama Prefecture in August 2020, and Neyagawa Store in Osaka Prefecture in October 2020, all as general stores. The Group also opened Korien Subaru Specialist Store as a specialist store in October 2020. In addition, the Group opened 6 vehicle purchasing specialist stores as storefront additions to existing dealerships, as well as Tomigusuku Store as a vehicle purchasing store in a standalone format. With regard to new imported car dealerships, the Group opened MASERATI Nagoya Sakurayama as an authorized dealership for MASERATI, as an authorized dealership for Volvo Cars, the Group opened Volvo Cars Odawara and Volvo Car Fukuoka Higashi.

As a result, for fiscal 2020, the Group posted net sales of ¥241,146 million (up 10.0% year on year), operating profit of ¥6,825 million (up 12.2%), ordinary profit of ¥6,527 million (up 10.8%), and profit attributable to owners of parent of ¥4,740 million (up 11.3%).

Used car dealership business

In the used car dealership business, the store count as of November 30, 2020 was 76 dealership bases (comprising 122 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Hokkaido-Tohoku region, 1 dealership base (1 storefront) in the Kanto-Koshinetsu region, 2 dealership bases (2 storefronts) in the Tokai-Hokuriku region, 2 dealership bases (3 storefronts) in the Kansai region, 1 dealership base (1 storefront) in the Chugoku-Shikoku region, and 1 dealership base (1 storefront) in the Kyushu-Okinawa region. On the other hand, the Group closed 1 dealership base (1 storefront) in the Kanto-Koshinetsu region, and 1 dealership (1 storefront) in the Tokai-Hokuriku region. Furthermore, the Group opened 1 dealership base (1 storefront) as a vehicle purchasing specialist store in a standalone format in the Kyushu-Okinawa region, opened 6 vehicle purchasing specialist stores as storefront additions to existing dealerships in the Hokkaido-Tohoku, Kanto-Koshinetsu, Tokai-Hokuriku, Chugoku-Shikoku, and Kyushu-Okinawa regions, and closed 3 vehicle purchasing specialist stores as storefront additions in the Kanto-Koshinetsu, Tokai-Hokuriku, and Kansai regions.

New car dealership business

In the new car dealership business, the store count as of November 30, 2020 was 21 dealership bases (comprising 22 storefronts). New store openings consisted of 1 dealership base (1 storefront) in the Kanto-Koshinetsu region, 1 dealership base (1 storefront) in the Tokai-Hokuriku region, and 1 dealership base (1 storefront) in the Kyushu-Okinawa region.

As a result, the store count as of November 30, 2020 was 97 dealership bases (comprising 144 storefronts).

Regional breakdowns of net sales were as follows.

Region	Fiscal 2019 (From December 1, 2018 to November 30, 2019)			Fiscal 2020 (From December 1, 2019 to November 30, 2020)			Change YoY		
	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (Millions of yen)	Bases at year-end	Sales volume (Vehicles)	Sales amount (%)	Bases at year-end	Sales volume (%)
Hokkaido-Tohoku	20,939	9 (12)	13,142	24,407	10 (14)	15,555	116.6	1 (2)	118.4
Kanto-Koshinetsu	55,707	22 (35)	29,414	62,665	23 (36)	35,401	112.5	1 (1)	120.4
Tokai-Hokuriku	83,742	32 (45)	56,511	84,869	34 (48)	55,773	101.3	2 (3)	98.7
Kansai	36,934	14 (22)	23,743	38,175	16 (24)	23,523	103.4	2 (2)	99.1
Chugoku-Shikoku	-	- (-)	-	3,231	1 (2)	2,571	-	1 (2)	-
Kyushu-Okinawa	21,939	10 (16)	13,973	27,796	13 (20)	18,297	126.7	3 (4)	130.9
Total	219,263	87 (130)	136,783	241,146	97 (144)	151,120	110.0	10 (14)	110.5

Notes: 1. Consumption and other sales taxes were not included in the amounts above.

2. The regions were composed of the following prefectures in which the Group has bases.

Hokkaido-Tohoku:	Hokkaido, Miyagi Prefecture, Fukushima Prefecture
Kanto-Koshinetsu:	Tochigi Prefecture, Gunma Prefecture, Saitama Prefecture, Chiba Prefecture, Metropolitan Tokyo, Kanagawa Prefecture, Yamanashi Prefecture, Niigata Prefecture, Nagano Prefecture
Tokai-Hokuriku:	Gifu Prefecture, Aichi Prefecture, Mie Prefecture, Shizuoka Prefecture, Toyama Prefecture, Ishikawa Prefecture, Fukui Prefecture
Kansai:	Shiga Prefecture, Osaka Prefecture, Hyogo Prefecture, Wakayama Prefecture
Chugoku-Shikoku:	Ehime Prefecture
Kyushu-Okinawa:	Fukuoka Prefecture, Kumamoto Prefecture, Oita Prefecture, Kagoshima Prefecture, Okinawa Prefecture

3. Figures in parentheses under bases at year-end represent the number of storefronts. The number of dealership bases varies from the number of storefronts because a dealership base may have multiple storefronts for various types of vehicles as well as vehicle purchasing stores.

Outlook for Fiscal 2021

To achieve to establish a system to enable lifelong dealings with customers, the Group continues to operate stores with “Lifetime value” and “Active users” in mind. And the Group will open the stores that offering a complete range of services in the used car business including sales of car supplies, insurance contracts, vehicle safety inspection, vehicle repairs after accident and vehicle purchasing on top of vehicle sales. And the Group will try to promote continuous use of stores to customers.

Consequently, in fiscal 2021 the Group is forecasting ¥280,000 million in net sales (up 16.1% year on year), ¥11,000 million in operating profit (up 61.2%), ¥10,700 million in ordinary profit (up 63.9%), and ¥7,600 million in profit attributable to owners of parent (up 60.3%).

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

Total assets as of November 30, 2020, the fiscal year-end, were ¥99,633 million, an increase of ¥13,277 million from the previous fiscal year-end.

Total current assets increased by ¥7,377 million from the previous fiscal year-end to ¥68,889 million. The main contributing factors were increases of ¥16,383 million in cash and deposits and ¥1,182 million in accounts receivable – trade, partly offset by a decrease of ¥5,724 million in merchandise.

Total non-current assets increased by ¥5,899 million from the previous fiscal year-end to ¥30,743 million. The main contributing factor was an increase of ¥5,349 million in buildings and structures, primarily in connection with the opening of new stores.

Total current liabilities decreased by ¥334 million from the previous fiscal year-end to ¥28,012 million. The main contributing factors were increases of ¥2,205 million in current portion of long-term borrowings and ¥1,000 million in current portion of bonds payable, partly offset by a decrease of ¥5,666 million in short-term borrowings.

Total non-current liabilities increased by ¥11,452 million from the previous fiscal year-end to ¥41,603 million. The main contributing factor was an increase of ¥11,779 million in long-term borrowings.

Total net assets increased by ¥2,159 million from the previous fiscal year-end to ¥30,017 million. The main contributing factors were increases of ¥830 million in share capital and ¥830 million in capital surplus, owing to a capital increase due to issuance of common shares, and an increase of ¥4,287 million in retained earnings.

2) Cash Flows

Cash and cash equivalents (“cash”) at November 30, 2020 was ¥27,443 million, an increase of ¥16,413 million from the previous fiscal year-end. Cash flows during the fiscal year under review and analysis of the main components were as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥19,269 million, compared with ¥9,213 million used in the previous fiscal year. The main components were profit before income taxes of ¥6,498 million, depreciation of ¥3,337 million, and an increase in inventories of ¥5,819 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥8,529 million, compared with ¥10,822 million used in the previous fiscal year. The main components were purchase of property, plant and equipment of ¥8,039 million accompanying new store openings and payments of guarantee deposits of ¥289 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥5,673 million, compared with ¥14,572 million provided in the previous fiscal year. The main components were short-term debt repayment expenditure of ¥5,666 million , long-term debt repayment expenditure of ¥3,214 million , and treasury stock acquisition expenditure of ¥3,724 million, partly offset by proceeds from long-term debt of ¥17,200 million , and proceeds from issuance of shares of ¥1,658 million.

(Reference) Trends in Cash Flow Indicators

	Fiscal 2019	Fiscal 2020
Equity ratio (%)	32.2	30.1
Market-value equity ratio (%)	104.5	102.7
Interest-bearing debt to cash flow ratio (Years)	-	2.7
Interest coverage ratio (Times)	-	77.5

Equity ratio: NEXTAGE shareholders' equity / total assets
Market-value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest payments

Notes:
1. All of the aforementioned indicators are calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. The figures used for cash flow are cash flows from operating activities.
4. Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.
5. The interest-bearing-debt to cash-flow ratio and interest coverage ratio for fiscal 2019 are omitted due to negative operating cash flows.

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal 2020 and Fiscal 2021

The Company considers it a top priority to secure returns for shareholders from its operations, and has a basic policy of consistently paying stable dividends to shareholders, while considering the need to strengthen the business foundation and maintain a healthy financial structure. In principle the Company plans to pay a year-end dividend each fiscal year, with the General Meeting of Shareholders as the body approving the dividend. The Company has established a provision in its Articles of Incorporation stipulating that the Company may issue an interim dividend pursuant to a resolution by the Board of Directors, with May 31 as the record date.

The Company plans to pay dividends after setting aside a portion of retained earnings as cash on hand for enhancing shareholders' equity and as reserves for investing effectively in the Group's growth, including in the development of stores in which growth can be expected.

Based on the policy above, the Company previously planned to pay an annual dividend of ¥6 per share for fiscal 2020. However, in order to further increase returns for shareholders from its operations and contribute to the medium- to long-term enhancement of corporate value, the Company plans to pay an annual dividend of ¥7 per share.

In addition, based on the above policy, the Company is also planning to pay the same annual dividend of ¥7 per share for fiscal 2021.

2. Management Policies

(1) Basic Management Policies of the Company

Based on the management philosophy of “Be loved by Customers,” the NEXTAGE Group is increasing the size of its stores with the aim of improving convenience through one-stop services so that customers can have the best experience. As our stores grow in size, the Group will increase profitability and expand our business by expanding lifelong dealings that provide customers with a complete range of services in the used car business for a long time and by supporting their safety, security and comfort, including sales, maintenance, vehicle inspections, sheet metal, tire sales, insurance contracts, vehicle purchasing and suggestions for the next car.

Our strategy for new store development is to expand lifelong dealings by continuing to open new stores every fiscal year on the nationwide platforms of large stores such as "general stores" "SUV LAND" and "UNIVERSE". In areas where it is difficult to open large-scale stores, the Group will promote the opening of independent purchase stores, thereby developing stores in accordance with the population and the number of vehicles owned by each area, and will continue to pursue sustainable business models that are less susceptible to changes in the economic environment and market environment. The Group will also continue to expand the authorized imported car dealership business as part of our automobile sales business.

(2) Key Performance Indicators

Under the 2030 Long-term Plan, the Group is aiming to achieve net sales of ¥1 trillion, an operating income margin of 7%, and an operating income of ¥70 billion. The Group are aiming to achieve this target by achieving a 10% share of the overall service market in comparison to the total economic size (Used, vehicle purchasing, maintenance and imported vehicles) of the automobile market in Japan. The growth strategy supports these expansion measures, and the Group believe that it is an important element for achieving steady growth in the sluggish automobile market.

As part of our growth strategy to achieve our vision for 2030, the Group focus on road surface recognition, calculate the number of vehicles the Group could sell based on the population and the number of vehicles owned in each area, and then determine the areas in which the Group would open stores. In order to expand the scale of our stores, capital investment in fixed assets and securing inventory per 1 location will require approximately ¥800 million to ¥1 billion. The Group open more than 10 stores annually, and by 2030, the Group aim to open 320 stores (200 used car sales bases, 50 independent purchase bases, 70 new car sales bases). As a financial indicator, the Group are aiming for a capital adequacy ratio of 40% or higher to ensure financial soundness.

The Group also recognize that a structure is the most important key to continuing store development and improving profitability. It is important not only to increase the number of units sold, but also to increase the number of customers and to continue using our services. To this end, the Group will establish a system that provides uniform services regardless of who provides them, and at the same time, conducts attests according to the customer's situation.

(3) Medium- to Long-Term Management Strategies of the Company

Based on the management policies mentioned above, in order to expand our market share, the Group will not only simply increase sales volume, but will also provide value to customers at various stages, including maintenance, vehicle inspection, sheet metal, tire sales, insurance contracts, and vehicle purchasing, and will place emphasis on recycling (= Lifelong dealings), whereby customers can use the same store until their next car is proposed. To expand lifelong dealings, four mechanisms are particularly important: (1) nationwide store expansion, (2) centralization of store operations, (3) thorough management of customer information, and (4) pricing management.

①Nationwide Store Expansion

The Group assume that there is still room for more than 400 stores nationwide, and the Group will establish "No. 1 store in the region" mainly in local cities to attract customers from competing stores. On top of that, the Group expect that the Group will be able to expand our stores, including those in urban areas, if the Group strengthen our management base by expanding sales. In areas where it is difficult to open large-scale stores, the Group will promote the opening of independent purchase stores to meet the population and the number of vehicles owned by each area. The Group will build a foundation for increasing the number of lifelong dealings by developing stores nationwide with an integrated service environment covering sales, insurance, vehicle inspections, maintenance, and purchasing.

②Centralization of Store Operations

In order to accelerate the expansion of stores nationwide, it is necessary to improve the efficiency of store management by thoroughly centralizing operations. The Group will establish a system to maintain uniform store management by conducting customer service operations based on the store manual common to the Group. In addition, by capturing KPIs (Key Performance Indicators) common to all stores, the Group will establish a system to manage the correct store management situation based on store manuals.

③Thorough Management of Customer Information

A car's business cycle averages nine years from purchase to let go. During that time, various transactions occur such as daily maintenance, car inspection, insurance, and purchasing. By managing customers' information, the Group will establish a system that enables us to offer proposals in accordance with customers' situations at an appropriate time.

④Pricing Management

During the consolidated fiscal year, changes in the economic environment and market environment became apparent due to the impact of the novel coronavirus infection (COVID-19) in addition to the impact of the consumption tax increase. In such an environment, Our Group reviewed indirect expenses at all its stores and systematized its First Price (the first price to go on the stores) pricing system. By conducting appropriate pricing management in accordance with market prices and vehicle information, the Group will respond to changing economic and market conditions and establish a stronger management base.

(4) Key Priorities Ahead

The Group's key business and financial priorities in implementing its management policies, management strategies and 2030vision, are as follows.

①Store openings

The Group assume that there is still room for more than 400 stores nationwide. Our Group considers the opening of new stores to be an important issue in advancing its growth strategy and continuing to expand its market share in Japan. While fully aware that the severe situation is expected to continue due to the impact of the novel coronavirus infection (COVID-19), the Group will promote more efficient store development by diversifying our store opening strategies and keeping store opening costs low.

②Securing human resources

Our Group has continued to increase both sales and profits by promoting its growth strategy, and the Group believe that securing human resources is an important issue for maintaining high growth rates. In the recruitment activities that are changing due to the spread of the novel coronavirus infection (COVID-19), the Group will adopt a recruitment method that makes active use of the Web. The Group are also working to reduce the turnover rate by creating a work environment in which all staff can achieve uniform and high results by establishing a system based on customer service operations based on a common store manual for the Group.

③Inventory management

As Our Group handles a wide range of vehicles, light vehicles, SUVs, minivans and imported vehicles, inventory management is an important issue. As for purchasing, the Group will closely monitor trends in the auto auction market, implement a product mix that meets demand, and secure inventories by strengthening purchases. The Group will also quickly clean up our purchased vehicles, and improve our inventory turnover rate through thorough pricing and inventory management. As used car stores handle a wide range of models at once, the Group considers diversification of purchasing methods, selection of models to be purchased, and inventory turnover period as important indicators and aims to achieve an inventory turnover period of 30 days or less.

③Cost control

In order to build a management structure that is not easily affected by changes in the economic and market environments, Our Group will reduce fixed costs through thorough indirect cost reductions and operational efficiency improvements. Our Group, on the other hand, regards securing human resources as an important issue, and will continue to make efforts to improve the labor environment by reviewing the personnel evaluation system and the salary system.

④Initiatives against COVID-19

Our Group places the highest priority on the safety of customers, business partners, local communities, employees and their families, as well as on the prevention of infection and the spread of infection in response to the novel coronavirus infection (COVID-19).

The Group regularly ventilate our showrooms, offices and resting rooms. In addition, the vehicle exhibition area is mainly outdoor (or semi-outdoor), and it is well-ventilated, and especially large stores have large showrooms, so the environment is not crowded. Our employees are thoroughly committed to health management and hygiene management by constantly checking temperature, washing hands and disinfecting every day. In addition, the Group provide telephone and online services to customers in response to their requests, such as car purchase, vehicle inspection and repair.

3. Basic Stance on the Selection of Accounting Standards

The NEXTAGE Group applies Japanese generally accepted accounting principles (J-GAAP) as its accounting standard to ensure the comparability of its financial statements with other companies in its industry in Japan. The Group will review the adoption of International Financial Reporting Standards (IFRS) should the need arise, in view of changes in the shareholding ratio of its stock by foreign investors.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2019 (As of November 30, 2019)	Fiscal 2020 (As of November 30, 2020)
Assets		
Current assets		
Cash and deposits	11,060	27,443
Accounts receivable – trade	5,233	6,416
Merchandise	38,675	32,951
Work in process	126	99
Supplies	497	429
Other	5,923	1,556
Allowance for doubtful accounts	(5)	(7)
Total current assets	61,511	68,889
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,771	24,602
Accumulated depreciation	(4,235)	(5,717)
Buildings and structures, net	13,535	18,884
Machinery, equipment and vehicles	5,092	4,843
Accumulated depreciation	(1,105)	(1,302)
Machinery, equipment and vehicles, net	3,987	3,540
Construction in progress	1,455	1,612
Other	2,168	2,618
Accumulated depreciation	(1,056)	(1,422)
Other, net	1,111	1,195
Total property, plant and equipment	20,090	25,232
Intangible assets	853	895
Investments and other assets		
Investment securities	89	78
Long-term loans receivable	283	313
Retirement benefit asset	282	267
Deferred tax assets	666	923
Guarantee deposits	2,565	2,707
Investment property	79	—
Accumulated depreciation	(70)	—
Investment property, net	8	—
Other	3	324
Total investments and other assets	3,900	4,615
Total non-current assets	24,844	30,743
Total assets	86,355	99,633

(Millions of yen)

	Fiscal 2019 (As of November 30, 2019)	Fiscal 2020 (As of November 30, 2020)
Liabilities		
Current liabilities		
Accounts payable – trade	7,169	6,403
Short-term borrowings	11,942	6,276
Current portion of bonds payable	—	1,000
Current portion of long-term borrowings	2,996	5,201
Lease obligations	65	73
Income taxes payable	1,297	1,430
Asset retirement obligations	2	—
Other	4,874	7,626
Total current liabilities	28,347	28,012
Non-current liabilities		
Bonds payable	1,000	—
Long-term borrowings	27,966	39,746
Lease obligations	289	320
Deferred tax liabilities	15	15
Asset retirement obligations	863	1,191
Other	15	328
Total non-current liabilities	30,150	41,603
Total liabilities	58,497	69,615
Net assets		
Shareholders’ equity		
Share capital	6,095	6,925
Capital surplus	8,502	9,332
Retained earnings	13,290	17,578
Treasury shares	(0)	(3,724)
Total shareholders’ equity	27,888	30,112
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans	(36)	(98)
Total accumulated other comprehensive income	(36)	(99)
Share acquisition rights	5	3
Total net assets	27,858	30,017
Total liabilities and net assets	86,355	99,633

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2019 (From December 1, 2018 to November 30, 2019)	Fiscal 2020 (From December 1, 2019 to November 30, 2020)
Net sales	219,263	241,146
Cost of sales	181,413	197,216
Gross profit	37,850	43,930
Selling, general and administrative expenses	31,764	37,104
Operating profit	6,085	6,825
Non-operating income		
Penalty income	－	93
Insurance claim income	12	27
Gain on sales of scraps	12	14
Other	190	82
Total non-operating income	214	218
Non-operating expenses		
Interest expenses	187	251
Rent cost	15	6
Commission expenses	195	182
Other	12	75
Total non-operating expenses	411	516
Ordinary profit	5,888	6,527
Extraordinary income		
Subsidies income	－	175
Gain on reversal of share acquisition rights	0	－
Total extraordinary income	0	175
Extraordinary losses		
Loss on disaster	63	8
Infectious disease related loss	－	90
Impairment loss	52	105
Total extraordinary losses	116	204
Profit before income taxes	5,772	6,498
Income taxes – current	1,757	1,987
Income taxes – deferred	(243)	(229)
Total income taxes	1,514	1,757
Profit	4,258	4,740
Profit attributable to owners of parent	4,258	4,740

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2019 (From December 1, 2018 to November 30, 2019)	Fiscal 2020 (From December 1, 2019 to November 30, 2020)
Profit	4,258	4,740
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Remeasurements of defined benefit plans, net of tax	(12)	(62)
Total other comprehensive income	(13)	(62)
Comprehensive income	4,245	4,677
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,245	4,677
Comprehensive income attributable to non-controlling interests	－	－

(3) Consolidated Statements of Changes in Equity

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,144	5,551	9,310	(0)	18,007
Changes during period					
Issuance of new shares	2,950	2,950			5,901
Dividends of surplus			(278)		(278)
Profit attributable to owners of parent			4,258		4,258
Issuance of share acquisition rights					–
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	2,950	2,950	3,980	(0)	9,881
Balance at end of period	6,095	8,502	13,290	(0)	27,888

(Millions of yen)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	0	(23)	(23)	3	17,987
Changes during period					
Issuance of new shares				(77)	5,824
Dividends of surplus					(278)
Profit attributable to owners of parent					4,258
Issuance of share acquisition rights				79	79
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	(0)	(12)	(13)	(0)	(13)
Total changes during period	(0)	(12)	(13)	2	9,870
Balance at end of period	(0)	(36)	(36)	5	27,858

Fiscal 2020 (From December 1, 2019 to November 30, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,095	8,502	13,290	(0)	27,888
Changes during period					
Issuance of new shares	830	830			1,660
Dividends of surplus			(452)		(452)
Profit attributable to owners of parent			4,740		4,740
Issuance of share acquisition rights					–
Purchase of treasury shares				(3,724)	(3,724)
Net changes in items other than shareholders' equity					
Total changes during period	830	830	4,287	(3,724)	2,223
Balance at end of period	6,925	9,332	17,578	(3,724)	30,112

(Millions of yen)

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	(36)	(36)	5	27,858
Changes during period					
Issuance of new shares				(1)	1,658
Dividends of surplus					(452)
Profit attributable to owners of parent					4,740
Issuance of share acquisition rights					–
Purchase of treasury shares					(3,724)
Net changes in items other than shareholders' equity	(0)	(62)	(62)	–	(62)
Total changes during period	(0)	(62)	(62)	(1)	2,159
Balance at end of period	(0)	(98)	(99)	3	30,017

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2019 (From December 1, 2018 to November 30, 2019)	Fiscal 2020 (From December 1, 2019 to November 30, 2020)
Cash flows from operating activities		
Profit before income taxes	5,772	6,498
Depreciation	2,742	3,337
Impairment loss	52	105
Increase (decrease) in allowance for doubtful accounts	2	1
Decrease (increase) in retirement benefit asset	(42)	15
Interest and dividend income	(1)	(2)
Interest expenses	187	251
Commission expenses	192	182
Gain on reversal of share acquisition rights	(0)	—
Decrease (increase) in trade receivables	(943)	(1,182)
Decrease (increase) in inventories	(15,567)	5,819
Increase (decrease) in trade payables	2,566	(765)
Increase (decrease) in advances received	(245)	681
Other, net	(2,490)	6,427
Subtotal	(7,774)	21,368
Interest and dividends received	1	2
Interest paid	(184)	(248)
Income taxes paid	(1,255)	(1,854)
Net cash provided by (used in) operating activities	(9,213)	19,269
Cash flows from investing activities		
Payments into time deposits	(61)	(28)
Proceeds from withdrawal of time deposits	61	58
Purchase of property, plant and equipment	(10,119)	(8,039)
Purchase of intangible assets	(170)	(305)
Loan advances	(361)	(60)
Collection of loans receivable	361	2
Payments of guarantee deposits	(539)	(289)
Proceeds from refund of guarantee deposits	10	147
Other, net	(2)	(14)
Net cash provided by (used in) investing activities	(10,822)	(8,529)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,804	(5,666)
Proceeds from long-term borrowings	8,000	17,200
Repayments of long-term borrowings	(2,763)	(3,214)
Proceeds from issuance of shares	5,903	1,658
Purchase of treasury shares	(0)	(3,724)
Repayments of lease obligations	(89)	(82)
Dividends paid	(278)	(452)
Commission for syndicate loan paid	(3)	(45)
Net cash provided by (used in) financing activities	14,572	5,673
Net increase (decrease) in cash and cash equivalents	(5,463)	16,413
Cash and cash equivalents at beginning of period	16,493	11,030
Cash and cash equivalents at end of period	11,030	27,443

(5) Notes to the Consolidated Financial Statements

(Uncertainties of entity's ability to continue as going concern)

None

(Significant accounting policies for preparation of consolidated financial statements)

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: 4

Name of consolidated subsidiaries:	ASAP Co., Ltd.
	NEW Co., Ltd.
	Ai Co., Ltd.
	Universe Rent a Car Co., Ltd.

(2) Unconsolidated subsidiaries

None

2. Disclosure about application of equity method

There are no unconsolidated subsidiaries or associates accounted for using equity method.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of the consolidated subsidiaries matches the consolidated fiscal year-end of the Company.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i. Marketable securities

Other marketable securities

Items without available fair values

Measured at cost using the moving average method.

Investments in investment partnerships and other such partnerships (those considered as marketable securities under Article 2 Paragraph 2 of the Financial Instruments & Exchange Act) are measured by incorporating the net amount of the Company's equity based on the most recent financial report available as of the financial reporting date stipulated in the partnership agreement.

ii. Inventories

Merchandise and work in process

Measured at cost by the specific identification method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

Supplies

Measured at cost by the latest purchase price method (the balance sheet value is calculated by writing down the carrying amount based on the decrease in profitability)

(2) Accounting policy for depreciation of significant assets

i. Property, plant and equipment (excluding lease assets) and real estate for investment

Buildings are measured by the straight-line method (excluding the Company's facilities attached to buildings) and other non-current assets are measured by the declining-balance method.

The main useful lives are measured as follows.

Buildings and structures	3 – 39 years
Machinery, equipment and vehicles	2 – 15 years
Real estate for investment	10 – 20 years

ii. Intangible assets (excluding lease assets)

Measured by the straight-line method.

Software used by the Company is measured based on the estimated useful life within the Company (five years).

iii. Lease assets

Lease assets relating to finance lease transactions without transfer of ownership are depreciated by the straight-line method over the lease term.

(3) Accounting policy for significant provisions

Allowance for doubtful accounts

To provide for loss due to bad debts, the Company recognizes the amount of its ordinary receivables multiplied by the loan loss ratio, and the expected unrecoverable amounts for particular receivables such as doubtful accounts receivable after examining the individual potential for recovery in each case.

(4) Accounting policy for retirement benefits

i. Method of attributing expected benefit to periods

In calculating retirement benefit obligations, the expected retirement benefit amount to the service period up until the end of the consolidated fiscal year under review is attributed on the benefit formula basis.

ii. Method of accounting for actuarial gains and losses

Actuarial gains and losses are recognized in profit and loss in amounts distributed proportionately from the consolidated fiscal year in which they arise by the straight-line method over a certain number of years not longer than the average remaining service period of the executives and employees (five years) when they arise in each consolidated fiscal year.

(5) Accounting policy for hedging

i. Accounting policy for hedging

Interest rate swaps are accounted for using “exceptional accounting” (tokurei shori) as they qualify for this.

ii. Hedging methods and hedged items

(Hedging methods)	(Hedged items)
Interest rate swaps	Interest on borrowings

iii. Hedging policy

The Company conducts interest-rate swap transactions to mitigate interest-rate fluctuation risk on its borrowings. Hedged items are recognized separately for each individual contract.

iv. Method for evaluating hedge efficacy

Interest rate swaps qualify for “exceptional accounting” (tokurei shori) and the evaluation of their efficacy on the consolidated closing date is therefore omitted.

(6) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investment that are readily convertible into cash, have only a small risk of value fluctuation, and have maturity dates within three months from the date of acquisition.

(7) Other important matters in preparation of the consolidated financial statements

Accounting policy for consumption taxes

Financial statements are prepared excluding consumption taxes.

(Segment information, etc.)

Segment information

Segment information is omitted as the Group has only a single segment, which is engaged in automobile sales and associated services.

Information associated with reportable segments

Fiscal 2019 (December 1, 2018 to November 30, 2019)

1. Information for each product or service

This information is omitted as sales to external customers for a single product or services category exceed 90% of the net sales reported in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Fiscal 2020 (December 1, 2019 to November 30, 2020)

1. Information for each product or service

This information is omitted because revenues from external customers for a single product or service category exceed 90% of net sales in the consolidated statements of income.

2. Information for each region

(1) Revenues from external customers

This information is omitted because revenues from external customers in Japan exceed 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

There is no relevant information as the Company does not own any property, plant and equipment outside of Japan.

3. Information for each of main customers

This information is not recorded because there are no cases where revenues from an external customer account for 10% or more of net sales in the consolidated statements of income.

Disclosure of impairment loss on non-current assets for each reportable segment

Segment information is omitted as the Group has only a single segment.

Amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information about gain on bargain purchase for each reportable segment

Not applicable.

(Per-share information)

	Previous fiscal year (December 1, 2018 to November 30, 2019)	Fiscal year under review (December 1, 2019 to November 30, 2020)
Net assets per share	¥369.26	¥406.96
Basic earnings per share	¥58.27	¥63.62
Diluted earnings per share	¥55.40	¥60.94

Note: 1. The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Item	Previous fiscal year (December 1, 2018 to November 30, 2019)	Fiscal year under review (December 1, 2019 to November 30, 2020)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	4,258	4,740
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	4,258	4,740
Average number of common shares during the period	73,089,143	74,511,225
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common shares (Shares)	3,776,922	3,279,314
(Of which, share acquisition rights (Shares))	(3,776,922)	(3,279,314)
Summary of convertible securities not included in diluted earnings per share due to having no dilutive effect	9th series of share acquisition rights (Number of share acquisition rights: 25,000)	9th series of share acquisition rights (Number of share acquisition rights: 13,500)

2. The basis for calculation of net assets per share is as follows.

Item	Fiscal 2019 (As of November 30, 2019)	Fiscal 2020 (As of November 30, 2020)
Total amount in net assets (Millions of yen)	27,858	30,017
Amount deducted from total amount in net assets (Millions of yen)	5	3
(Of which, share acquisition rights (Millions of yen))	(5)	(3)
Net assets at the end of the period related to common shares (Millions of yen)	27,852	30,013
Number of common shares at the end of the period used for calculation of net assets per share (Shares)	75,427,929	73,751,429

Note: Shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account (267,658 shares for the year ended November 30, 2020) have been included in the number of treasury shares that are deducted from the average number of shares for the purpose of calculating basic earnings per share. Shares of the Company held by the NEXTAGE Employee Stock Ownership Trust Account (1,591,700 shares as of November 30, 2020) have been included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share.

(Significant events after reporting period)

Not applicable.